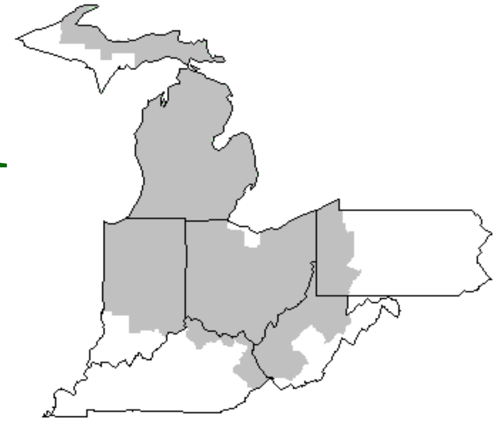
Mideast Market Administrator's Bulletin



Federal Order No. 33

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Recent Developments in Dairy Markets

Since the beginning of the year, milk production has been growing at an increasing rate. In January, daily milk production was only 0.2 percent over January 2015. The year-over-year increase grew to 1.0 percent in February and 1.8 percent in March, reaching 594 million pounds per day. Production per cow averaged 1,974 pounds for March, 32 pounds above March 2015. Milk cows numbered 9.325 million head, 14 thousand head more than March 2015, and 10 thousand head more than February 2016.

Imports remained high in March, especially for butterfat products, cheese, and milk protein products. For the first quarter, imports on a milk-fat milk-equivalent basis were 2.146 billion pounds, the highest level since the second quarter of 2004. Imports on a skim-solids milk-equivalent basis were also high, reaching 1.637 billion pounds in the first quarter, the highest level since the first quarter of 2009.

Exports on a milk-fat basis fell by 17 million pounds from February to March, while exports on a skim-solids basis declined by 6 million pounds. Exports of cheese and butterfat products have been higher than expected despite high domestic prices compared to foreign export prices. Butter and cheese stocks continued to remain well above previous-year levels, with March ending stocks higher than the previous year by 32.1 percent (butter) and 11.4 percent (cheese). Nonfat dry milk (NDM) ending stocks for March were 7.5 percent lower than the previous year.

Price directions of major dairy commodities were mixed in April. From the week ending April 2 to the week ending April 30, the butter price reported in the USDA *National Dairy Products Sales Report* (NDPSR) increased by $0.118 per pound. Prices for the other commodities declined over the same weeks, including 40- pound cheddar cheese blocks (-$0.063 per pound), 500-pound cheddar cheese barrels adjusted to 38-percent moisture (-$0.038 per pound), NDM (-$0.019 per pound), and dry whey (-$0.005 per pound).

Based on recent data, milk production forecasts have been raised to 212.4 billion pounds for 2016, an increase of 0.6 billion pounds from last month's forecast. The 2016 forecast for milk cows is 9.320 million head, 10 thousand more than forecast last month. Milk per cow has been raised to 22,795 pounds per head, 40 pounds more than forecast last month.

With higher expected milk production, recent high stock levels for butter and cheese, and higher expected imports, 2016 dairy product price forecasts have been lowered for cheese, butter, and NDM to $1.455-$1.505, $1.985-$2.065, and $0.740-$0.780 per pound, respectively. The dry whey price forecast has been raised slightly to $0.235-$0.265 per pound.

The 2016 Class III milk price forecast is lowered to $13.15-$13.65 per hundredweight (cwt) as the decrease in the cheese price forecast more than offsets the increase in the dry whey price. The Class IV milk price forecast is lowered to $12.65-$13.25 per cwt due to lower NDM and butter price forecasts. The all-milk price forecast for 2016 is $14.60-$15.10 per cwt., a reduction from last month's forecast of $15.00-$15.50 per cwt.

A summary of market conditions for 2015 and 2016 provides context for our 2017 forecasts. In 2015 and the first few months of 2016, dairy prices have been significantly below 2014 levels, and they are expected to remain relatively low for the rest of 2016. Prices of major competitors, the EU and Oceania, have generally been even lower. The low world prices are the result of large global supplies and relatively weak demand abroad. Low input prices for feed and fuel have encouraged growth in the U.S. milk supply. A positive shift in domestic demand for products with high milk-fat content has supported U.S. butter and cheese prices at levels higher than prices of foreign competitors. Under highly competitive conditions, U.S. exports have been lower than in 2014. Imports have been higher, although limited to some extent by tariff rate quotas for cheese, butter, and butterfat products.

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May 2016 Pool Summary

Classification of Producer Milk

	Pounds	*Percent*
Class I	520,708,332	28.5
Class II	343,231,272	18.8
Class III	636,326,768	34.9
Class IV	325,375,822	17.8
Total	1,825,642,194	100.0

Producer Prices

Producer Price Differential	$ 1.05	/ cwt
Butterfat Price	2.2846	/ lb
Protein Price	1.4935	/ lb
Other Solids Price	0.0529	/ lb
Somatic Cell Adjustment Rate	0.00071	/ cwt
Statistical Uniform Price	13.81	/ cwt

ANNOUNCEMENT OF PRODUCER PRICES

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May 2016

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	POUNDS	BUTTERFAT	SKIM / PROTEIN	NONFAT SOLIDS	OTHER SOLIDS	PRICE	VALUE
Class I Skim Value			510,935,529			$8.12 / cwt	$41,487,964.95
Class I Butterfat		9,772,803				2.2455/ lb	21,944,829.15
Class I Location Differential	520,708,332						(220,132.59)
Class II SNF Value				29,371,523		0.6344/ lb	18,633,294.23
Class II Butterfat		23,057,022				2.2916/ lb	52,837,471.58
Class III Protein Value			19,702,613			1.4935/ lb	29,425,852.54
Class III Other Solids Value					36,894,717	0.0529/ lb	1,951,730.49
Class III Butterfat		20,490,620				2.2846/ lb	46,812,870.47
Class IV SNF Value				28,580,714		0.5870/ lb	16,776,879.17
Class IV Butterfat		14,067,154				2.2846/ lb	32,137,820.04
Somatic Cell Value II / III / IV							1,595,100.39
TOTAL PRODUCER MILK VALUE	1,825,642,194	67,387,599	56,098,898		105,365,553		$263,383,680.42
Overages					15,014.40		
Beginning Inventory & OS Charges					12,884.94		
TOTAL ADJUSTMENTS							27,899.34
TOTAL HANDLER OBLIGATIONS							$263,411,579.76

Total Protein Value	56,098,898 lbs	@	$1.4935	$(83,783,704.19)
Total Other Solids Value	105,365,553 lbs	@	0.0529	(5,573,837.75)
Butterfat Value	67,387,599 lbs	@	2.2846	(153,953,708.71)
Total Somatic Cell Values				(2,214,316.87)
TOTALS				$ 17,886,012.24
Net Producer Location Adjustments				$ 1,281,401.74
1/2 Unobligated Balance Producer Settlement Fund				882,000.00
Total - Divided by Total Pounds	1,825,642,194 lbs		1.0982116	$20,049,413.98
Rate of Cash Reserve			(0.0482116)	(880,171.31)
PRODUCER PRICE DIFFERENTIAL *at Cuyahoga County, OH**	1,825,642,194		$1.05 / cwt	$19,169,242.67

COMPONENT PRICES

	May 2016	May 2015
Butterfat Price	$2.2846 / lb	$2.0599 / lb
Protein Price	1.4935 / lb	2.5206 / lb
Other Solids Price	0.0529 / lb	0.2533 / lb
Somatic Cell Adjustment Rate	0.00071 / cwt	0.00083 / cwt
Nonfat Solids Price	0.5870 / lb	0.7708 / lb

COMPUTATION OF UNIFORM PRICE

	May 2016	May 2015
Class III Price - 3.5% BF	$ 12.76	$16.19
Producer Price Differential*	1.05	(0.21)
Statistical Uniform Price	$13.81	$15.98

CLASS PRICES

	May 2016	May 2015
Class I*	$15.70	$17.83
Class II	13.53	14.81
Class III	12.76	16.19
Class IV	13.09	13.91

* Subject to Location Adjustment.

CLASSIFICATION OF PRODUCER MILK

	May 2016 *Product lbs.*	May 2015 *Product lbs.*
Class I	520,708,332	501,399,071
Class II	343,231,272	337,925,731
Class III	636,326,768	316,241,315
Class IV	325,375,822	331,070,810
Total	1,825,642,194	1,486,636,927

ORDER 33 MARKET SUMMARY

The Producer Price Differential for the Mideast Marketing Area for May 2016 was $1.05 and the Statistical Uniform Price was $13.81 for the month. The Statistical Uniform Price is $0.21 lower than last month, and is $2.17 lower than May 2015.

The Producer Butterfat Price of $2.2846 per pound increased $0.0470 from April and is up $0.2247 from a year ago. The Protein Price of $1.4935 is down $0.3515 from last month and is down $1.0271 from May 2015. The Other Solids Price in May was $0.0529 per pound, an increase from last month's price of $0.0489 and $0.2004 lower than last May. The Somatic Cell Adjustment rate for May was $0.00071.

May producer receipts of 1.83 billion pounds were 4.6 percent higher than April and 22.8 percent lower than May 2015 production of 1.49 billion pounds. Producer milk allocated to Class I accounted for 28.5 percent of the total producer milk in May 2016, lower than the 29.7 percent in April, and lower than the 33.7 percent in May 2015. A total of 5,394 producers were pooled on the Mideast Order compared to 5,801 producers pooled in May 2015.

The market average content of producer milk was as follows: Butterfat 3.69%; Protein 3.07%; Other Solids 5.77% and Nonfat Solids 8.84%.

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With relatively low expected feed prices and forecasts for growing domestic and foreign demand, milk production is forecast to grow to 215.2 billion pounds, 1.6 percent more than forecast for 2016 (adjusted for leap year). While cow numbers in 2017 are forecast to remain at 9.320 million head, yield per cow is forecast to increase to 63.3 pounds of milk per day, an increase of 1.6 percent above the 2016 forecast.

With higher exports, lower imports, and continued growth in domestic demand, most 2017 dairy product prices are expected to increase from 2016. The forecasts for cheese, NDM, and dry whey are $1.540-$1.640, $0.855-$0.925, and $0.255- $0.285 per pound, respectively. The butter price forecast of $1.880-$2.010 per pound for 2017 is lower than the 2016 forecast due to a lower expected growth in butter demand and an expected increase in butter supplies.

With year-over-year cheese and whey prices expected higher in 2017, the Class III milk price forecast for 2017 is $14.05-$15.05 per cwt. The higher year-over-year NDM price is expected to more than offset the lower butter price, resulting in a Class IV price forecast of $13.15-$14.25. The all-milk price forecast for 2017 is $15.25-$16.25.

Source: *Livestock, Dairy, and Poultry Outlook*/LDP-M-263/May 16, 2016 Economic Research Service, USDA

April Milk Production Up 1.2 Percent

Milk production in the 23 major States during April totaled 16.8 billion pounds, up 1.2 percent from April 2015. March revised production, at 17.2 billion pounds, was up 1.8 percent from March 2015.

The March revision represented an increase of 7.0 million pounds or less than 0.1 percent from last month’s preliminary production estimate.

Production per cow in the 23 major States averaged 1,948 pounds for April, 19 pounds above April 2015. This is the highest production per cow for the month of April since the 23 State series began in 2003.

The number of milk cows on farms in the 23 major States was 8.65 million head, 21,000 head more than April 2015, and 4,000 head more than March 2016.

The Mideast Marketing Area has four states represented in the 23 major states used above. They are Indiana, Michigan, Ohio, and Pennsylvania. Milk production in these Mideast states during April totaled 2.6 billion pounds, up 92 million pounds or 2.8 percent from April 2015.

Production per cow in the Mideast states averaged 1,891 pounds for April, 29 pounds above April 2015.

The number of cows on farms in the Mideast states was 1.4 million head, 14,000 head more than April 2015.

April 2016 Highlights

Total cheese output (excluding cottage cheese) was 992 million pounds, 1.4 percent above April 2015 but 3.3 percent below March 2016.

Italian type cheese production totaled 437 million pounds, 3.7 percent above April 2015 but 4.8 percent below March 2016.

American type cheese production totaled 395 million pounds, 0.3 percent below April 2015 and 0.9 percent below March 2016.

Butter production was 176 million pounds, 6.4 percent above April 2015 but 3.3 percent below March 2016.

Dry milk powders (comparisons with April 2015) Nonfat dry milk, human – 170 million pounds, down 6.0 percent. Skim milk powders – 43.3 million pounds, up 30.7 percent.

Bulletin WebPage Edition

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Featured this month are:

- Mailbox Prices
- Producer Price Differential & Uniform Price Statistics
- Grain & Alfalfa Hay Prices

Weighted Averages - Butterfat, Protein, Other Solids, Somatic Cell Count by State
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	April 2016							April 2015				
			Weighted Averages						Weighted Averages			
State	Number of Producers	Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)		Pounds of Milk (000)	Butterfat	Protein	Other Solids	SCC (000)
Michigan	1,417	872,025	3.72	3.10	5.79	158		668,276	3.67	3.08	5.74	162
Ohio	1,823	430,695	3.80	3.11	5.72	175		404,609	3.72	3.06	5.67	195
Indiana	941	226,713	3.74	3.12	5.83	189		204,935	3.75	3.13	5.83	195
New York	241	105,840	3.86	3.12	5.75	170		98,624	3.82	3.09	5.76	181
Pennsylvania	746	96,188	3.90	3.09	5.75	216		98,977	3.84	3.06	5.72	230
Wisconsin	20	3,898	3.70	3.09	5.72	233		7,237	3.84	3.15	5.70	187
West Virginia	39	3,237	3.79	3.20	5.75	223		2,899	3.93	3.18	5.71	243
Other	113	6,450	3.91	3.14	5.74	224		7,055	3.86	3.11	5.72	219
Total/Average *	5,340	1,745,046	3.76	3.10	5.77	170		1,492,611	3.72	3.08	5.73	182

* Totals may not add due to rounding. Data provided on a one month delay basis and includes only milk from these states *pooled* on the Mideast order.

United States Department of Agriculture

Mideast Market Administrator Bulletin
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FEDERAL ORDER DATA
May 2016

	Marketing Area [1/]	Producer Milk Total (000)	Producer Milk Class I (000)	Class I Percent %	Producer Price Differential (per cwt.)	Statistical Uniform Price (per cwt.)
FO 1	Northeast - (*Boston*)	2,372,895	736,478	31.0	$1.97	$14.73
FO 5	Appalachian - (*Charlotte*)	490,374	313,665	64.0	[2/]	15.98
FO 6	Florida - (*Tampa*)	228,210	185,108	81.1	[2/]	18.10
FO 7	Southeast - (*Atlanta*)	479,088	308,829	64.5	[2/]	16.27
FO 30	Upper Midwest - (*Chicago*)	3,164,933	280,232	8.9	0.32	13.08
FO 32	Central - (*Kansas City*)	1,509,151	392,358	26.0	0.77	13.53
FO 33	**Mideast - (*Cleveland*)**	**1,825,642**	**520,708**	**28.5**	**1.05**	**13.81**
FO 124	Pacific Northwest - (*Seattle*)	773,600	164,321	21.2	0.74	13.50
FO 126	Southwest - (*Dallas*)	1,260,866	357,072	28.3	1.64	14.40
FO 131	Arizona - (*Phoenix*)	469,151	107,681	23.0	[2/]	13.78

[1/] Names in parentheses are principal points of markets.

[2/] Producers in these markets are paid on the basis of a uniform skim and butterfat price.

MINIMUM PARTIAL PAYMENT PRICE FOR JUNE 2016..............................$12.76 /cwt.